ADDRESSING FEDERAL STUDENT LOAN DEBT FOR STUDENTS WHO DO NOT COMPLETE - IMPLICATIONS OF A BROAD APPROACH TO DISCHARGE FEDERAL STUDENT LOANS

by
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Abstract

Student loan debt continues to be a problem in the United States, especially as more students are taking out loans to attend higher education institutions. One of the most vulnerable groups that suffer from student loan debt are the borrowers who attend college but do not complete it. This proposal offers a broad legislative solution that provides up to $50,000 in federal student loan cancellation for all qualifying borrowers who meet the income requirements, including federal student loan borrowers who did not earn their degree. An evaluation of the proposal's strengths and weaknesses finds that the high financial costs, low political feasibility, and questionable efficiency outweigh any advantages and immediate financial relief it can provide. A broad-scale legislative approach at the rate of up to $50,000 is rejected and instead presents federal student loan forgiveness at a lower rate as an alternative to further assess.

Advisor: Professor Paul J. Weinstein

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DECISION MEMORANDUM

TO:	Susan Rice, Domestic Policy Advisor and Director, Domestic Policy Council
FROM:	Samiksha Shetty, Policy Advisor
SUBJECT:	Addressing Federal Student Loan Debt for Students Who Do Not Complete - Implications of a Broad Approach to Discharge Federal Student Loans
DATE:	December 15, 2021

Action Forcing Event

On January 22nd of 2021, the newly inaugurated President Joseph R. Biden enacted "Executive Order on Economic Relief Related to the COVID-19 Pandemic," which provides the opportunity to extend agency-delivered COVID-19 efforts.[1] Subsequently, this executive order prompted the U.S. Department of Education to extend the current moratorium on active federal student loan payments and continues to apply a zero percent interest rate on these loans.[2] This federal action specifically led to the agency providing temporary financial relief for borrowers with federally delivered student loans until the fall of 2021, when interest and payments will begin again in

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[1] Biden, Joseph R. "Executive Order on Economic Relief Related to the COVID-19 Pandemic." The White House, January 22, 2021. https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/22/executive-order-economic-relief-related-to-the-covid-19-pandemic/.

[2] "Pausing Federal Student Loan Payments." The White House, January 20, 2021. https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/20/pausing-federal-student-loan-payments/.

October 2021.[3] However, in August, there was an extension of the moratorium on all federal "student loan repayment, interest, and collections until January 31, 2022."[4]

Statement of the Problem

Student loan debt remains an ongoing and increasing problem in the United States as more students pursue higher education using borrowed funds. The overall amount of student loan debt continues to rise with it, totaling "$1.58 trillion in the third quarter, a $14 billion rise from 2021 Q2."[5] In 2019, federal student loan debt totaled more than $1.4 trillion dollars with funds borrowed through loans exceeding the repayments, and "… the federal portfolio of outstanding Title IV loans increased from $516 billion in loans made on behalf of 28.3 million students, to $1.4 trillion in loans made on behalf of 42.9 million students" in just ten years.[6] The increasing price of tuition and associated costs of college attendance contribute to how much money a student may need to receive through loans to successfully finance their education.

The price to attend a higher education institution becomes more than what is understood through tuition prices alone, especially when living costs and income are also evaluated and accounted for. However, while tuition prices escalate and the federal student loan debt increases, household incomes have not risen to match these costs – the "2016 Congressional Research Service study found that between 1967 and 2015, the

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[3] Lobosco, Katie. "Biden Extends Student Loan Payment Deferrals until October." CNN, January 20, 2021. https://www.cnn.com/2021/01/20/politics/student-loan-payment-deferrals/index.html.
[4] "Biden Administration Extends Student Loan Pause Until January 31, 2022." US Department of Education (ED). Accessed October 3, 2021 https://www.ed.gov/news/press-releases/biden-administration-extends-student-loan-pause-until-january-31-2022.
[5] "Quarterly Report on Household Debt and Credit." Federal Reserve Bank of New York. Federal Reserve Bank of New York, November 2021. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2021Q3.pdf.
[6] Smole, David P., and Library of Congress. A Snapshot of Federal Student Loan Debt. Vol. 10158. If 10158. Washington, D.C.: Congressional Research Service, 2019. https://purl.fdlp.gov/GPO/gpo138523.

average price-adjusted household income of the bottom 40 percent of households barely moved…"[7] Hence, there is a growing need for financial aid and loans to finance the increasing costs, and stagnant income means greater delays and difficulties repaying debt over this time.

The burden of student debt affects various demographics, and long-standing debt has a multitude of effects on an individual's and their family's financial future. One group impacted by the burden and is a consequence of student loan debt is the undergraduate students who do not complete their degree programs. These students are ladened with the costs of their time seeking higher education but do not have the financial security or benefits that accompany a completed college degree.[8] When examining the impacts and influences of student debt, it is critical to examine the experiences and trends of students who do not earn their degree, or noncompleters. The definition references the use of "noncompleters" coined in a 2013 National Center for Education Statistics (NCES) brief, which defines it as "students who did not complete a degree within 6 years of first enrolling."[9] The use of noncompleters for this purpose includes the statistically relevant definition used in the 2013 survey but does not limit it to solely 6 years. This is because this demographic is often missing during discussions regarding student debt and especially federal student loan debt and inclusion can help provide a more complete landscape view of the overall issue.

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[7] Koch, James V., and Project Muse. The Impoverishment of the American College Student The Impoverishment of the American Student, 2018. https://muse.jhu.edu/book/66100/.
[8] Barshay, Jill. "Federal Data Shows 3.9 Million Students Dropped out of College with Debt in 2015 and 2016." The Hechinger Report, November 6, 2017. http://hechingerreport.org/federal-data-shows-3-9-million-students-dropped-college-debt-2015-2016/.
[9] Wei, Christina Chang, and Laura Horn. "Federal Student Debt Burden of Noncompleters." National Center for Education Statistics Institute of Education Sciences. Statistics in Brief, U.S. Department of Education, April 2013. https://nces.ed.gov/pubs2013/2013155.pdf.

Student debt is a concerning issue when examining undergraduates who do not complete their degree-seeking program. The National Center for Education Statistics found that graduation rate "for first-time, full-time undergraduate students who began seeking a bachelor's degree at 4-year degree-granting institutions in fall 2012 was 62 percent."[10] In that time span, 38 percent of the students did not earn their degree. In 2019 the National Student Clearinghouse Research Center identified in a report that "[a]s of December 2018, 36 million people from the Center's database had attended college since 1993 but failed to earn a credential at any U.S. institution and were no longer enrolled in college."[11] The number of noncompleters is substantial and it is imperative to be aware and include these experiences in problem-solving initiatives to tackle student debt.

Noncompleters experience difficulties repaying federally borrowed funds since about 45 percent of college students do not graduate in six years after beginning college.[12] One factor that affects these students is that they do not earn the certified qualifications and subsequently receive fewer benefits that would allow them access to more secure and higher-paying jobs. In fact, wage levels increase with levels of degree and certification achievement while there is an inverse relationship between unemployment and educational attainment, as seen in Figure 1.[13]

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[10] "The NCES Fast Facts Tool Provides Quick Answers to Many Education Questions (National Center for Education Statistics)." National Center for Education Statistics. National Center for Education Statistics. Accessed December 4, 2021. https://nces.ed.gov/FastFacts/display.asp?id=40.

[11] Fain, Paul. "Some College, No Degree." Inside Higher Ed, October 31, 2019. https://www.insidehighered.com/news/2019/10/31/new-data-36-million-americans-who-left-college-without-credential.

[12] Johanson, Paula, and ProQuest. Student Loans and the Cost of College. Issues That Concern You. New York, NY: Greenhaven Publishing, 2018. https://ebookcentral.proquest.com/lib/jhu/detail.action?docID=5413228.

[13] "Education Pays." U.S. Bureau of Labor Statistics, April 21, 2021. https://www.bls.gov/emp/chart-unemployment-earnings-education.htm.

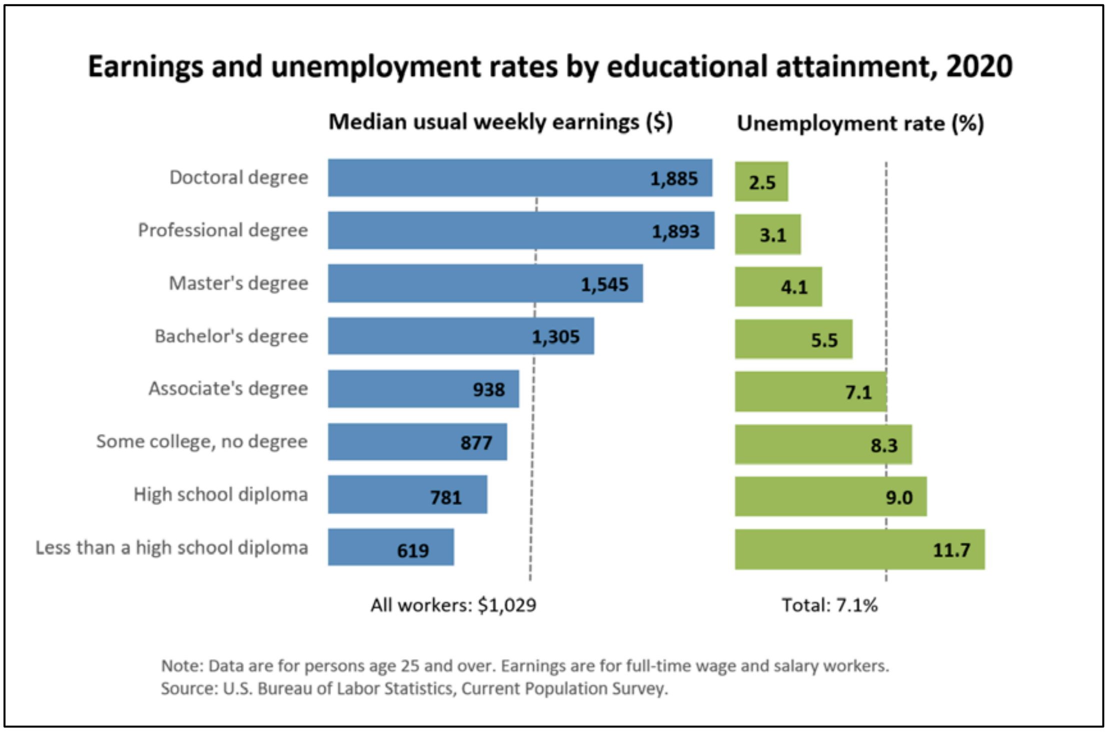

Figure 1. Earning and unemployment rates by educational attainment, 2020 (Chart by the U.S. Bureau of Labor Statistics. "Education Pays," U.S. Bureau of Labor Statistics.)[14]

Federal student loan borrowers who do not graduate with their degree, may receive lower wages and the likelihood for unemployment is higher for individuals with less education.

The interconnected relationship between federal student loans, noncompleters, payments, and defaults is also an issue that must be acknowledged when discussing federal student loan debt. In a report from the Center for American Progress, it explains that students who do not complete their degrees have "relatively small balances, with about 64 percent owing less than $10,000 and 35 percent owing less than $5,000."[15] Early repayment of student loan debt is less likely and has been found to be more

[14] U.S. Bureau of Labor Statistics. *Earning and unemployment rates by educational attainment*. April 21, 2021. Chart, U.S. Bureau of Labor Statistics. https://www.bls.gov/emp/chart-unemployment-earnings-education.htm.
[15] Miller, Ben, Colleen Campbell, Brent J. Cohen, and Charlotte Hancock. "Addressing the $1.5 Trillion in Federal Student Loan Debt." Center for American Progress, June 12, 2019. https://www.americanprogress.org/article/addressing-1-5-trillion-federal-student-loan-debt/.

challenging for students who do not complete their degree program since the federal student loan principal repayment gap between degree holders and those who do not earn their degree exceeds 20 percent after one year, three years, five years, and seven years into the repayment schedule.[16] When comparing payments, degree holders are more likely to start recompensing the principal of their debt soon after graduation when compared than the latter.

Students who do not complete their college degree program, ladened by federal student loan debt, are also particularly vulnerable to the cascading effects of debt – impeding the growth of familial wealth, curbing consumption, and increasing the possibility of entering delinquency or even eventually defaulting on loans. Delinquency is the status when payments on federal student loans are first missed; however, default is the label received when multiple payments are missed for a prolonged amount of time.[17] Defaulting, in turn, can increase debt through added collection fees, and lowering credit scores.[18] A report from The Institute for College Access and Success (TICAS) found that "[h]alf (49%) of defaulted borrowers never complete their program, and many experts we spoke to pointed to a lack of credential being a major factor in default."[19] A case study examining default rates over 12 years found that the risk of default is generally higher for these borrowers as individuals "…who completed a credential within six years were less

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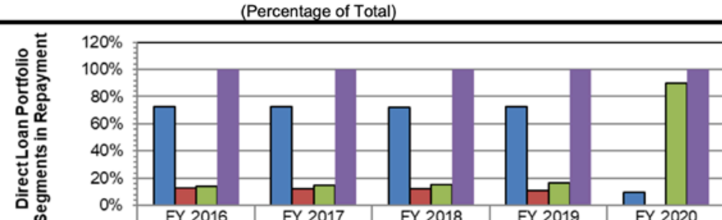
[16] Itzkowitz, Michael. "Want More Students To Pay Down Their Loans? Help Them Graduate. – Third Way." Third Way, August 8, 2018. https://www.thirdway.org/report/want-more-students-to-pay-down-their-loans-help-them-graduate.
[17] "Student Loan Delinquency and Default." Federal Student Aid, n.d. https://studentaid.gov/manage-loans/default.
[18] Student Loan Default has Serious Financial Consequences." Apr 7, [cited 2021]. Available from https://pew.org/2x24z7L.
[18] Ibid.
[19] Ahlman, Lindsay. "Casualties of College Debt." The Institute for College Access & Success. TICAS, June 2019. https://ticas.org/wp-content/uploads/legacy-files/pub_files/casualties_of_college_debt_0.pdf.

than half as likely to have defaulted within 12 years than those who dropped out (11% vs. 23%).” [20] Noncompleters are more susceptible to issues with federal loan repayment and are vulnerable to defaulting on their debt.

As the end of the COVID-19 emergency relief measures for federal student loans approaches the concern about what this means for borrowers increases. The Chief Operating Officer of the Office of Federal Student Aid, Richard Cordray, spoke in a hearing and noted how there “looms an overriding challenge that is unique to the coming year: the unprecedented task of returning tens of millions of student loan borrowers back into repayment after a pause that was extended multiple times over almost two years.”[21] As seen in Figure 2, the payments and interest charges are reflected in lower delinquency rates and increases in other status like forbearance for federal student loans; however, this will not remain the case once the freeze on interest and payments ends.

Figure 14B: Direct Loan Portfolio Segment in Repayment by Status*
Principal and Interest Only
Fiscal Years 2016–20
(Percentage of Total)



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Current	72.9%	72.6%	71.9%	72.5%	10.0%
Delinquent	12.9%	12.3%	12.5%	11.1%	0.0%
Default/Bankruptcy/Other*	14.2%	15.1%	15.6%	16.4%	90.0%
Totals	100%	100%	100%	100%	100%

*Note: Line items may include rounding adjustments to reconcile to the total amount being reported. Also, prior data may be restated, as explained in Footnote 12.

[20] “Students at Greatest Risk of Loan Default.” The Institute for College Access & Success, April 2018. https://ticas.org/files/pub_files/students_at_the_greatest_risk_of_default.pdf.

[21] Cordray, Richard. “Examining the Policies and Priorities of the Office of Federal Student Aid.” House Committee on Education and Labor, October 27, 2021. https://edlabor.house.gov/imo/media/doc/CordrayRichardTestimony102721.pdf.

Figure 2. Figure 14B. Direct Loan Portfolio Segment in Repayment by Status* Principal and Interest Only Fiscal Years 2016–20 (Chart by Federal Student Aid. "Annual Report FY 2020," U.S. Department of Education.) [22]

After repayments restart, students who were in delinquency and default are required to make payments or, in the case of unpaid balances that default, face penalties that may include legal prosecution, wage garnishment, and other collections practices.[23]

The exorbitant number of federal student loan borrowers, at 43 million as of 2019, poses financial and socio-economic consequences.[24] Purdue University's leader, Mitch Daniel, explained that individuals encumbered by student loans were having to debate its consequences and effects leading to decisions like "postponing marriage, childbearing and home purchases, and...pretty evidently limiting the percentage of young people who start a business or try to do something entrepreneurial."[25] A 2021 survey report by the National Association of Realtors (NAR) and Morning Consult found that, "Over one quarter of student loan debt holders say their debt has impacted their decision or their ability to purchase a home (29%), take a vacation (35%), or purchase a car (31%)."[26] Additionally it found "51% of all student loan holders say their debt delayed them from purchasing a home."[27] This postponement creates a barrier between vital socio-economic indicators and achievements, like homeownership, as well as erecting obstacles to

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[22]DeVos, Betsy, Mark A. Brown, and Alison L. Doone. "Fiscal Year 2020 Annual Report." Federal Student Aid. November 16, 2020, November 16, 2020. https://www2.ed.gov/about/reports/annual/2020report/fsa-report.pdf.

[23] "Student Loan Delinquency and Default."

[24] "Student Loan Default Has Serious Financial Consequences." PEW, April 7, 2020. https://pew.org/2x24z7L.

[25] Holland, Kelley. "The High Economic and Social Costs of Student Loan Debt." CNBC, June 15, 2015. https://www.cnbc.com/2015/06/15/the-high-economic-and-social-costs-of-student-loan-debt.html.

[26] "The Impact of Student Loan Debt." Www.Nar.Realtor, 2021. https://cdn.nar.realtor/sites/default/files/documents/2021-the-impact-of-student-loan-debt-report-executive-summary-09-14-2021.pdf

[27] "The Impact of Student Loan Debt." Www.Nar.Realtor, 2021. https://www.nar.realtor/newsroom/student-loan-debt-holding-back-majority-of-millennials-from-homeownership.

consumption a contributor and factor that fuels our current economy. The potential long-term adverse effects of student loan debt are significant. The hope is that actions occur to alleviate the problematic connection between students who do not complete their degrees and are most vulnerable to student loan debt.

History/Background

One of the earliest formal, public efforts to increase access to higher education was in 1944 with the "The Servicemen's Readjustment Act (GI Bill)."[28] Followed by efforts like the "Higher Education Act (HEA) of 1965," which included items like federal work study and loan programs to provide eligible students with federal financial aid for students as identified and authorized by requirements in Title IV.[29] The Higher Education Act of 1965 provides the legal authority for provisions that provide federally-backed financial aid for higher education, whereas "Titles II, III, and V of the HEA provide institutional aid and support."[30] Therefore, the HEA has the ability to manage, adjust, and implement reforms to increase and expand higher education affordability from the perspective of demand, prospective and attending students, and supply through postsecondary institutions. Since first established in 1965, the HEA has remained active, though it has been changed through amendments many times, and was most recently authorized in 2008.[31]

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[28] Gladieux, Lawrence E. "Archived - Federal Student Aid Policy: A History and an Assessment." US Department of Education (ED). US Department of Education (ED), October 1995. https://www2.ed.gov/offices/OPE/PPI/FinPostSecEd/gladieux.html.
[29] Ibid.
[30] Library of Congress. Congressional Research Service. The Higher Education Act (HEA): A Primer. S.l.: 2016. http://search.proquest.com/congcomp/getdoc?CRDC-ID=CRS-2016-AML-0073.
[31] Ibid.

One of the programs that stems from the Higher Education Act of 1965 was "Federal Family Education Loan (FFEL) programs, formerly referred to as the Guaranteed Student Loan (GSL) programs" which created a relationship between private loan companies and the federal government regarding college affordability; the government would "insure and subsize loans" the private entities would deliver to students to apply as a temporary relief and immediate way to pay high education expenses.[32] Unlike the FFEL programs, the "William D. Ford Direct Loan (DL) program" has the federal government as the direct lender to student loan borrowers "using federal capital (i.e., funds from the U.S. Treasury)."[33] The FFEL program was a fundamental source to provide students and families with federally backed student loans and provided various types including "Subsidized Stafford Loans and Unsubsidized Stafford Loans for undergraduate and graduate and professional students, PLUS Loans…and Consolidated Loans."[34]

While HEA efforts focus on increasing access and affordability, discussions in relation to student debt, the price, as well as the cost of college began "…during the 1980s, tuitions are rising at a rate twice that of inflation" and soon thereafter "the rate of increase has been about the same in both public and private institutions, approximately 10 percent annually" as of 1987.[35] Since that time, conversations have centered around the varying degrees and effects of the price, versus the cost of higher education, and

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[32] Library of Congress. Congressional Research Service. Federal Family Education Loan Programs. S.l: S.N., 1994. http://congressional.proquest.com/congcomp/getdoc?CRDC-ID=CRS-1994-EPW-0070.

[33] Library of Congress. Congressional Research Service. Administration of Federal Student Loan Programs. S.l: S.N., 2002. http://congressional.proquest.com/congcomp/getdoc?CRDC-ID=CRS-2002-DSP-0308.

[34] Library of Congress. Congressional Research Service. The Higher Education Act (HEA) : A Primer. S.l.: 2016. http://search.proquest.com/congcomp/getdoc?CRDC-ID=CRS-2016-AML-0073.

[35] United States. Staff Report on Rising College Costs. Washington : U.S. G.P.O.: For sale by the Supt. of Docs., Congressional Sales Office, U.S. G.P.O., 1987. http://congressional.proquest.com/congcomp/getdoc?CRDC-ID=CMP-1987-EDL-0017.

mounting student debt. This is primarily because due to rising tuition prices, there was "the significant rise in FFEL borrowing in the 1980s, increasing the loan volume in repayment exposed to default" as well as increased student loan borrowers from "proprietary schools with short-term programs" with higher probabilities of nonpayment influencing what became an "all time high of $3.5 billion in FY 1991" for FFEL default obligations.[36]

In addition, higher education reforms and interests also focused on efforts to prevent government program and federal student aid abuse since reports in the 1980s, including one U.S. Government Accountability Office (GAO) report from 1984, identified problems and deceitful behavior from for-profit institutions.[37] The U.S. Department of Education data on "the default experience of Stafford loan borrowers entering repayment in FY 1987 through September 30, 1990," shows that the borrower and seller rate for proprietary schools was greater than that for public and private four-year as well as two-year institutions.[38] With this revelation, concerns shifted to include oversight and questions regarding the quality, accreditation, and administration of higher education institutions.

Student loan debt relief efforts were linked to probable causes related to institution type and management. The concerns and recommended solutions included actions to protect students from "predatory " and "abusive practices" through the implementation of oversight measures and provisions like that within the Omnibus

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[36] Fraas, Charlotte. "Family Education Loan (FFEL) Defaults." Congressional Research Service. November 9, 1992. https://congressional-proquest-com.proxy1.library.jhu.edu/congressional/docview/t21.d22.crs-1992-epw-0063?accountid=11752.

[37] Protopsaltis, Spiros, and Libby Masiuk. "Protecting Students and Taxpayers." Center on Budget and Policy Priorities, November 30, 2017. https://www.cbpp.org/research/federal-budget/protecting-students-and-taxpayers.

[38] Fraas, Charlotte. "Family Education Loan (FFEL) Defaults."

Budget Reconciliation Act of 1990.[39] This made it so "all government loan programs…would have to account for their full long-term expenses and income" as well as "subsidy costs" to make arrangements for federal costs in each loan.[40] The result includes questions of what types of institutions should receive federally-funded student aid and compliance methods to prevent abuse. Higher education institutions' contributions and influence to rising debt and default rates became the focal point in some recommended reforms.

A transition in the administration and distribution of federal student aid began in 2008 with the passing of "…the Ensuring Continued Access to Student Loans Act, which authorized the U.S. Department of Education to acquire newly made student loans…acquir[ing] $150 billion in student loans that were originally made by private lenders between 2007 and 2009."[41] During 2010 federal budget discussions, President Barack Obama called for the FFEL program's dissolution by June 30, 2010 and reinstituting the administration and distributions of all new loans through the William D. Ford Federal Direct Loan Program.[42] At the time, the transition was predicted to "save taxpayers more than $4 billion a year" by shifting the "roughly $90 billion in student lending" from private entities to the Department of Education administered William D. Ford Direct Federal Loan Program.[43] At present, a majority of federal student loan debt is

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39 Protopsaltis and Masiuk. "Protecting Students and Taxpayers."

40 "Student Loan History." Accessed Mar 3, 2021. http://newamerica.org/education-policy/topics/higher-education-funding-and-financial-aid/federal-student-aid/federal-student-loans/federal-student-loan-history/.

41 Bergeron, David A. "We Already Cleaned up the Student Loan Mess—Let's Not Do It Again." Center for American Progress, October 26, 2015. https://americanprogress.org/article/we-already-cleaned-up-the-student-loan-mess-lets-not-do-it-again/.

42 "Questions & Answers on the Transition to 100 Percent Direct Lending." U.S. Department of Education, April 6, 2009. https://www2.ed.gov/about/overview/budget/budget10/finaid/faq-ffel-dl.html.

43 Drawbaugh, Kevin. "Obama Swings Axe at Private Student Lenders." Reuters, Feb 26, 2009. https://www.reuters.com/article/us-obama-budget-studentloans-idUSTRE51P6K520090226.

held by borrowers from this direct loan program, as of 2021 almost "36.3 million borrowers owed about $1.4 trillion in Direct Loan debt."[44]

In addition to federal student loan reform, various debt relief initiatives exist on the federal level from repayment relief to debt forgiveness programs which allow for a set amount of a borrower's federal student loan debt to be dismissed or absolved in exchange for certain outcomes or after meeting certain requirements.[45] For example, many of the existing programs offer debt relief provisions to federal student loan holders "who make an active choice to enter public service or obtain employment in particular professions, occupations, or specialties, or to repay their loans according to an income dependent repayment plan" with a clause of relief after a certain condition has been met.[46] One such federal program that exists is the "Public Service Loan Forgiveness (PSLF)" which in exchange for a working for a eligible public service related employer and making "120 qualifying monthly payments under a qualifying repayment plan," the remaining and eligible Direct Loan balance will be relieved.[47] Similarly, the "Teacher Loan Forgiveness Program" offers a certain amount of federal loan forgiveness for eligible borrowers who meet the service and qualifications outlined by the program.[48] These service related forgiveness efforts offer one avenue for eligible borrowers to apply and receive relief

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[44] Hegji, Alexandra, and Library of Congress. Federal Student Loan Debt Relief in the Context of COVID-19. Report / Congressional Research Service. Washington, D.C.: Congressional Research Service, 2021. https://purl.fdlp.gov/GPO/gpo141842.

[45] Division, Library of Congress. Congressional Research Service. American Law, and Library of Congress. "Federal Student Loan Forgiveness and Loan Repayment Programs." Congressional Research Service. S.l: ProQuest Congressional, 2014. http://search.proquest.com/congcomp/getdoc?CRDC-ID=CRS-2014-AML-0124.

[46] Ibid.

[47] "Public Service Loan Forgiveness (PSLF)." Federal Student Aid, n.d. https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service.

[48] "Wondering Whether You Can Get Your Federal Student Loans Forgiven for Your Service as a Teacher?" Federal Student Aid, n.d. https://studentaid.gov/manage-loans/forgiveness-cancellation/teacher.

once they meet all the criteria which may include length of service in specific positions and after completing a certain number of payments toward their incurred federal student loan debt.

Legislation and efforts to implement temporary changes to ease federal student loan payments and debts have been enacted because of the coronavirus (COVID-19) pandemic and recession. One of these efforts is to alleviate some of the federally held debt and financial pressures put upon individuals. In March of 2021, the U.S. Department of Education expanded the government-driven COVID-19 assistance efforts to include a temporary stop on collecting federal student loan interest and payments during the pandemic to include those in the Federal Family Education Loan (FFEL) Program.[49] This created "the 0% interest rate and pause of collections activity to 1.14 million borrowers who defaulted on a privately-held FFEL Program loan" which in turn "will protect more than 800,000 borrowers who were at risk of having their federal tax refunds seized to repay a defaulted loan."[50] The policy institutes some financial relief for these qualifying borrowers during the pandemic in an effort to relieve some financial pressure that may have incurred from the crisis.

Policy Proposal

One method to tackle the burden of federal student loan debt for students who did not complete their degrees is focusing on decreasing outstanding balances through limited discharge of federal student loan loans. This proposal focuses on decreasing the

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[49] "Department of Education Announces Expansion of COVID-19 Emergency Flexibilities to Additional Federal Student Loans in Default." US Department of Education (ED). https://www.ed.gov/news/press-releases/department-education-announces-expansion-covid-19-emergency-flexibilities-additional-federal-student-loans-default.
[50] Ibid.

total amount that burdens individuals with federal student loan debt, including noncompleters, by taking action to reduce the overall federal student loan debt. The goal that at least 75 percent of all noncompleters with federal student loan debt will have their debt completely relieved.

A. Policy Authorization

To accomplish the debt relief goal, the authorizing tool is legislation. Congress has financial authority; it oversees the federal budgetary process and responsibilities regarding federal spending and revenue.[51] Legislation is a way to engage and authorize changes given Congress's role and since funding for federal student loan programs is dependent on the funding and regulations administered by the U.S. Department of Education. This proposal's objective is that through legislation directed at a large-scale approach to decrease federal student loan debt, that the policy's goal may be achieved. The intention is that through the structure of the policy most of the borrowers who did not complete their degree would receive some debt relief.

B. Policy Implementation

The plan of approach is modeled off the proposal introduced to Congress in 2019, "Student Loan Debt Relief Act of 2019."[52] The intention is to repropose the legislation. If this is not possible, the alternative would be to add language to an existing bill. The 2019 legislation was sponsored by the Democratic Representative from South Carolina, Congressman James E. Clyburn, as well as the Democratic Senator from Massachusetts,

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[51] Saturno, James, and Library of Congress. The Congressional Budget Process : A Brief Overview. Report / Congressional Research Service. Washington, D.C.: Congressional Research Service, 2019. https://purl.fdlp.gov/GPO/gpo126397.

[52] Congress.gov. "All Info - H.R.3887 - 116th Congress (2019-2020): Student Loan Debt Relief Act of 2019." August 12, 2019. https://www.congress.gov/bill/116th-congress/house-bill/3887/all-info.

Senator Elizabeth Warren.[53] The Act was created to combat existing student debt through several measures included targeted debt elimination and measures to reduce the total amount students pay on amortized federal loans. The intention is that "95% of student loan borrowers would get some relief, and 75% would have all their debt cancelled."[54] The Student Loan Debt Relief Act is legislation that would be executed by and directly impact the U.S. Department of Education. The policy seeks to decrease student loan debt for a significant portion of the country's population – an estimated 45.2 million people with federal student loans as of 2021, as seen in Figure 3 below – which also includes vulnerable noncompleters. [55]

Federal Student Loan Portfolio by Borrower Debt Size for 2021 Q3
Includes outstanding principal and interest balances
Data Source: Enterprise Data Warehouse

Federal Student Loan Balance	Dollars Outstanding (in billions)	Borrowers (in millions)
Less than 5K	$19.1	7.2
5K to 10K	$54.1	7.5
10K to 20K	$135.8	9.4
20K to 40K	$272.6	9.6
40K to 60K	$208.3	4.2
60K to 80K	$179.4	2.6
80K-100K	$125.1	1.4
100K to 200K	$324.8	2.4
200K+	$272.5	0.9
Total	**$1,591.7**	**45.2**

53 "Senator Warren, House Majority Whip Clyburn Introduce Legislation to Cancel Student Loan Debt for Millions of Americans." U.S. Senator Elizabeth Warren of Massachusetts, July 23, 2019. https://www.warren.senate.gov/newsroom/press-releases/senator-warren-house-majority-whip-clyburn-introduce-legislation-to-cancel-student-loan-debt-for-millions-of-americans.
54 "Student Debt Relief." Congressman James E. Clyburn, March 2, 2021. https://clyburn.house.gov/legislation/student-debt-relief.
55 . "Federal Student Loan Portfolio." Federal Student Aid, n.d. https://studentaid.gov/data-center/student/portfolio.

Figure 3. Federal Student Loan Portfolio by Borrower Debt Size for 2021 Q3. Source: Data from Federal Student Aid. “Federal Student Loan Portfolio,” U.S. Department of Education.[56]

The legislation would place the focus on individuals encumbered and currently repaying debt rather than students who are currently enrolled and do not have to recompense their loans yet.[57] The reissued proposal could be called the “Student Loan Debt Relief Act of 2022.”

The proposed legislation works to outline guidelines that are cohesive with the operations of the U.S. Department of Education, and it includes federal student loan debt relief provisions through four titles: “TITLE I—LOAN DISCHARGE AND FORBEARANCE,” “TITLE II—REFINANCING PROGRAMS,” “TITLE III—DISCHARGEABILITY OF STUDENT LOANS IN BANKRUPTCY,” and “TITLE IV—GENERAL PROVISIONS.”[58] This includes income-based requirements for an individual’s federal student loan to be discharged up to $50,000 per borrower, prearrangement that cancelled debt will not be taxable, refinancing options for privately-held student loans, and establishment of responsibility for notification and a timeline for operation.[59]

In 2019, Senator Warren estimated that the cost to execute “The Student Debt Relief Act of 2019” with loan forgiveness at $50,000 per qualified borrower was about “$640 billion.”[60] Recent projections based on up to $50,000 per borrower with income

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[56] Ibid.
[57] "Student Loan Repayment." Accessed Mar 19, 2021, https://studentaid.gov/manage-loans/repayment.
[58] Warren, Elizabeth. “Text - S.2235 - 116th Congress (2019-2020): Student Loan Debt Relief Act of 2019,” 2019. https://www.congress.gov/bill/116th-congress/senate-bill/2235/text.
[59] “Student Loan Debt Relief Act Section-by-Section Summary.” Elizabeth Warren, July 23, 2019. https://www.warren.senate.gov/imo/media/doc/Student%20Loan%20Debt%20Relief%20Act%20Section%20by%20Section.pdf.
[60] Looney, Adam. “How Progressive Is Senator Elizabeth Warren’s Loan Forgiveness Proposal?” Brookings, April 24, 2019. https://www.brookings.edu/blog/up-front/2019/04/24/how-progressive-is-senator-elizabeth-warrens-loan-forgiveness-proposal/.

limitations and other provisions in the legislation are not current unavailable; however, discharging loans at up to $50,000 per federal student loan borrower "could be approximately $1 trillion."[61] While recalculations based on recent data is required, the Urban Institute predicted Senator Warren's 2019 legislative proposal would cancel "66 percent of federal student loan dollars" which translates to "a cost estimate of $955 billion dollars" based on federal student loan debt estimates from that year.[62] Therefore, the rough estimate for how much implementing the policy will cost lies within the range of $640 billion and about $1 trillion.[63]

Policy Analysis

Understanding the implications of a policy like the "Student Loan Debt Relief Act of 2022" requires thorough scrutiny of the ways it may impact various stakeholders, its resolution capabilities, as well as identifying the consequences. As it relates to noncompleters, the policy goal is that at least 75 percent of all federal student loan borrowers who did not earn their degree will have their debt completely relieved. When considering how well the proposed federal student loan debt discharge would achieve the intended policy goal, it is evident there are some advantages and challenges.

A. *Effectiveness of the Policy*

The proposal, "Student Loan Debt Relief Act of 2022," is likely to achieve the policy goal for noncompleters, at least 75 percent of all noncompleters with federal

[61] Friedman, Zack. "Student Loan Cancellation Could Cost $1 Trillion." Forbes, November 1, 2021. https://www.forbes.com/sites/zackfriedman/2021/11/01/student-loan-cancellation-could-cost-government-1-trillion/.
[62] Chingos, Matthew, and Kristin Blagg. "Who Would Benefit from Elizabeth Warren's Student Loan Forgiveness Proposal?" Urban Institute, April 25, 2019. https://www.urban.org/urban-wire/who-would-benefit-elizabeth-warrens-student-loan-forgiveness-proposal.
[63] Looney, Adam. "How Progressive Is Senator Elizabeth Warren's Loan Forgiveness Proposal?"; Friedman, Zack. "Student Loan Cancellation Could Cost $1 Trillion."

student loan debt will have their debt dismissed. This is because the policy specifically focuses on federal student loans and offers provisions such as federal loan dismissal at $50,000 per qualifying borrower as well as the opportunity for current borrowers with privately held student loans to refinance to federal student loans so they can be included in relief.[64] The flexibility means that noncompleters who currently have federal student loans and those with private student loans will have the opportunity to be assessed for federal student loan relief under the Act – increasing the number of eligible borrowers for relief.

An assessment of possible outcomes points to the policy goal's achievement. In the case of individuals who attended college without completing, the "[m]edian usual weekly earnings was $877" or about $45,604 annually.[65] The median annual wage falls well with the income restrictions imparted in the legislation, with federal student loan debt discharged at "up to $50,000… for borrowers with $100,000 or less in household gross income" and for those "with household gross income between $100,001 and $250,000" offered a decreased amount.[66] Therefore it is likely that a majority of federal student loan borrowers who attend college but do not complete will fall within the income restrictions outlined in the proposal. Moreover, a 2019 report from the Center for American Progress using data from 2004-2009 identified that federal student loan borrowers who attend college but do not earn their degree have "relatively small balances, with about 64

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[64] "Senator Warren, House Majority Whip Clyburn Introduce Legislation to Cancel Student Loan Debt for Millions of Americans | U.S. Senator Elizabeth Warren of Massachusetts." Elizabeth Warren, July 23, 2019. https://www.warren.senate.gov/newsroom/press-releases/senator-warren-house-majority-whip-clyburn-introduce-legislation-to-cancel-student-loan-debt-for-millions-of-americans.

[65] "Education Pays." U.S. Bureau of Labor Statistics, April 21, 2021. https://www.bls.gov/emp/chart-unemployment-earnings-education.htm.

[66] "The Student Loan Debt Relief Act." U.S. Senator Elizabeth Warren of Massachusetts, n.d. https://www.warren.senate.gov/imo/media/doc/Student%20Loan%20Debt%20Relief%20Act%20One%20Pager1.pdf.

percent owing less than $10,000 and 35 percent owing less than $5,000."[67] If these estimated numbers are consistent for the borrowers of today, then the outcome prediction for the legislation, that "95% of student loan borrowers would get some relief, and 75% would have all their debt cancelled," would successfully achieve 75% of noncompleters to have their federal student loan debt relieved.[68]

B. *Administrative and Technical Feasibility*

An advantage of this proposal is that administrative and technical requirements to execute it already exist at the U.S. Department of Education. The department has the organizational capacity to manage the provisions outlined in the proposed legislation, including criteria-based federal student loan forgiveness. It has been executing federal student forgiveness for existing programs, such as public service forgiveness, and discharge circumstances, as seen in the instance of closed schools, to name a few examples.[69] This policy proposal will work with the existing system through the U.S. Department of Education and its administrative resources to implement change.

However, the U.S. Department of Education's technical capabilities and administrative follow-through to execute may present a challenge. Given recent accounts of programmatic processing issues, it is uncertain if the policy can be implemented without any issues. In 2021, the Student Borrower Protection Center and other associations released an evaluation of data provided by the Pennsylvania Higher Education Assistance Agency, a company the U.S. Department of Education works with

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[67] Miller, Campbell, Cohen, and Hancock. "Addressing the $1.5 Trillion."
[68] "Student Debt Relief."
[69] "Student Loan Forgiveness." Federal Student Aid, n.d. https://studentaid.gov/manage-loans/forgiveness-cancellation.

to administer the Public Service Loan Forgiveness program.[70] The findings from the company data points to high levels of rejection rates due to application and paperwork errors for the program leading to "4,500 educators at more than 2,700 schools" across the country experiencing difficulties.[71] The Public Service Loan Forgiveness program is inaccessible to many applicants given it is known "… for rejecting more than 98 percent of all borrowers who applied."[72]

Nevertheless, the U.S. Department of Education does seem to be addressing the administrative and technical issues since it announced in October of 2021 that it would integrate "data matches" so no application is required for eligible employees of the federal government and re-evaluations of unsuccessful applications to the program to rectify any clerical or resolvable errors.[73] Even though there are ongoing efforts to address and rectify administrative and technical shortcomings, evaluations of current programs display possible vulnerabilities for future work at the department. The U.S. Department of Education must review its resources, information received from loan servicers, and the technical aspects of executing this proposal before implementation.

C. Costs

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[70] "Documents from the Pennsylvania Higher Education Assistance Agency on Employer Certification Form Denials and Reasons for Denial." Student Borrower Protection Center, 2021. https://protectborrowers.org/pheaa-ecf-denials/.

[71] Ibid.

[72] Stratford, Michael. "Thousands of Teachers Rejected for Public Service Loan Forgiveness Program, New Data Shows." POLITICO, 2021. https://www.politico.com/news/2021/09/21/teachers-rejected-loan-forgiveness-program-513396.

[73] "U.S. Department of Education Announces Transformational Changes to the Public Service Loan Forgiveness Program, Will Put Over 550,000 Public Service Workers Closer to Loan Forgiveness." U.S. Department of Education, October 6, 2021. https://www.ed.gov/news/press-releases/us-department-education-announces-transformational-changes-public-service-loan-forgiveness-program-will-put-over-550000-public-service-workers-closer-loan-forgiveness.

Another challenge to pursuing this proposal of student loan discharge, up to $50,000 based on income qualifications, is that the overall costs of enacting the debt relief are high. The Committee for a Responsible Federal Budget (CRFB), a nonpartisan nonprofit organization, estimates that canceling federal student loan debt at $50,000 per individual with no income limitations would cost the federal government about "$950 billion," the subsequent "increased cash flow and wealth would increase consumption by roughly $104 billion, resulting in roughly $91 billion in added output over three years" as shown in Figure 4.[74]

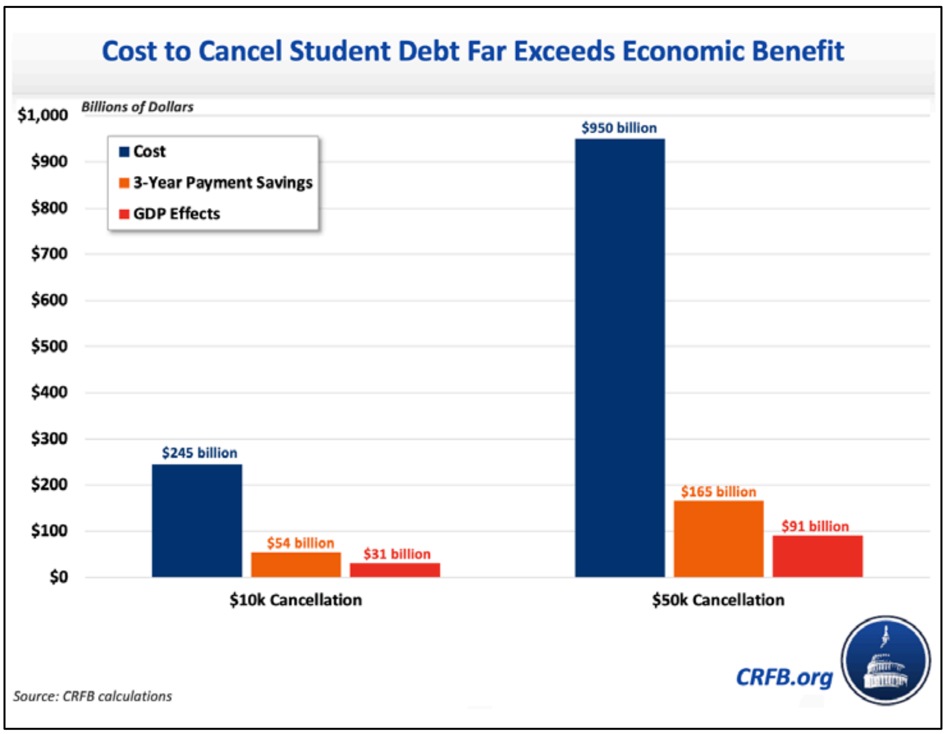

Figure 4. Cost to Cancel Student Debt Far Exceed Economic Benefit (Chart by the Committee for a Responsible Federal Budget. "Partial Student Debt Cancellation is Poor Economic Stimulus," CRFB.org.)[75]

[74] "Partial Student Debt Cancellation Is Poor Economic Stimulus." Committee for a Responsible Federal Budget, June 3, 2021. https://www.crfb.org/blogs/partial-student-debt-cancellation-poor-economic-stimulus.

[75] Committee for a Responsible Federal Budget, *Cost to Cancel Student Debt Far Exceeds Economic Benefit*. Jun 3, 2021. Chart. CRFB.org. https://www.crfb.org/blogs/partial-student-debt-cancellation-poor-economic-stimulus.

The consumption would not match the student debt cancellation costs to the federal government. In addition, the Congressional Budget Office predicts that "the administrative costs of the Federal Student Aid office will be a little more than $3 billion in 2021."[76] While the proposal includes income limitations that would decrease the overall estimate presented by the CRFB, this estimation provides a relevant ratio to estimate and compare how costs, savings, and GDP effects would differ. Even if the predicted increased consumption were combined with any saved administrative costs, it does not equate to the cost of canceling loan balances. The financial implication of this proposal means that discharging loans at this standard rate per individual borrower would come at a high price to the U.S. government.

The financial costs are high, and the legislation does not offer any requirements to fund the proposal, which means that the federal government would need to implement other measures to cover the loan cancellation. Senator Warren first introduced student loan discharge legislation in 2019 and spoke about the idea of an "Ultra-Millionaire Tax that would include a 2% annual tax on the 75,000 families in the U.S. who have at least $50 million in net worth" to increase federal revenue during her 2020 U.S. presidential campaign; however, no funding measures were explicitly identified in the Student Loan Debt Relief Act of 2019.[77] While it can be presumed that if passed, the increased federal tax revenue from a wealth tax would help balance increased costs from the proposed federal student loan cancellation, legislation of a wealth tax was considered as a

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[76] Funke, Daniel. "Fact Check: Canceling Student Loan Debt Would Cost the Federal Government Billions." USA TODAY, October 29, 2021. https://www.usatoday.com/story/news/factcheck/2021/10/29/fact-check-canceling-student-loan-debt-wouldnt-make-government-money/8573429002/.

[77] Friedman, Zack. "Elizabeth Warren: Here's My Plan To Cancel Student Loan Debt." Forbes, June 17, 2019. https://www.forbes.com/sites/zackfriedman/2019/06/17/elizabeth-warren-student-loan-debt-forgiveness/.

completely separate proposal. Without a clear definition of how to finance such a proposal, there is no way to say with certainty that any cost-covering measures to pair with the proposal would not further financially burden individuals, including those who would have received debt relief through this proposal.

The proposal utilizes a broad approach to provide relief for federal student loan borrowers, with the intention that the expansive reach and impact will benefit many, including those borrowers who did not earn their degree. As noted previously, this broad approach comes at a high financial cost but is intended to help garner support for the cause. This is method aligns with the recommendations from the Center of American Progress that "[r]eaching as many people as possible can help build support for an idea.… broader eligibility definitions that reach more people could result in less work to figure out who should be eligible for relief."[78] The simple definitions should help save time during implementation and aid in gathering support for the proposal. Conversely, it can also be argued that the inclusion of income restrictions and the option for private student loan refinancing may overcomplicate the process, increasing potential risks for time delays and errors.

The high overall costs to the federal government also elicit questions of the proposal's ability to conclusively solve the problem of federal student loan debt, especially for students who do not receive any degree or credentials from the institution they attended. The difficulty with the proposal is it does not create any long-term structures, programs, or provisions to prevent or aid future federal student loan borrowers and noncompleters. This makes no resolutions to end or decrease the amount of people

[78]Miller, Campbell, Cohen, and Hancock. "Addressing the $1.5 Trillion."

who may take out federal student loans and be unable to pay them, especially individuals who do not earn their degrees and have a high probability of default.

D. Equity

Arguments against student debt cancellation include complex, interconnected equity issues. One critique is that wide-scale student loan cancellation is unfair to those who never had the opportunity to attend college or simply chose not to do so. Critics argue that federally provided student loan debt relief is unjust as it only benefits those who attended college and still have outstanding debt, and it excludes any assistance to "Americans who did not go to college, who paid off their loans without taxpayer help, who worked during school so they did not have to take out loans…" or encumber loans after the federal student loan discharge is delivered.[79]

In an article for the *Brookings Institution*, Adam Looney declared that the student loan cancellation plan proposed by Senator Warren as "regressive, expensive, and full of uncertainties," highlighting that when evaluating annual savings by savings and income "[t]he bottom 20 percent of borrowers by income get only 4 percent of the savings."[80] So for a policy intended to help relieve the burden of student loan debt, especially for noncompleters, it does achieve relief, but a consequence is that it also benefits higher earners and college graduates.

Conversely, some argue in favor of federal student loan cancellation. A *Roosevelt Institute* report argues that impacts should be measured differently where debt should be

[79] "Democrats' Student Debt Forgiveness Favors High Earners." Senate RPC, April 26, 2021. https://www.rpc.senate.gov/policy-papers/democrats-student-debt-forgiveness-favors-high-earners.
[80] Looney, "How Progressive Is Senator Elizabeth Warren's Loan Forgiveness Proposal?"

"valued by what it costs borrowers, not lenders."[81] Using metrics like the debt-to-income ratio, they found that "[d]ebt cancellation leads to the highest reductions in the debt-to-income ratio for people with the lowest incomes. As household income increases, the reduction in the debt-to-income ratio decreases."[82] The policy's equitable impact is apparent when comparing federal student loan debt relief to the increase in available income it provides, rather than just the amount of debt relief received.

Political Analysis

It is necessary to understand the political implications of this proposal that centers around the use of legislation. This requires an analysis of the critical stakeholders involved, impacted by, and their stances on federal student loan debt for noncompleters. The proposal, "Student Loan Debt Relief Act of 2022," intentionally uses a broad approach to tackle a niche problem, and so stakeholder positions on federal student loan debt will be critical to thoroughly understand the political risks and support involved. Key stakeholder opinions that will be analyzed are the public, and major political actors.

A. The Public

Public opinion on these issues matters because education is a social and political issue. The public is arguably a major stakeholder as the constituents are affected by any legislation enacted, and their stances can influence legislators. To better understand the public stance on student loans and debt relief, polls and survey results were found to a

[81] Eaton, Charles, Adam Goldstein, Laura Hamilton, and Frederick Wherry. "Student Debt Cancellation IS Progressive: Correcting Empirical and Conceptual Errors." Roosevelt Institute, June 8, 2021. https://rooseveltinstitute.org/wp-content/uploads/2021/06/RI_StudentDebtCancellation_IssueBrief_202106.pdf
[82] Ibid.

general estimate of where public opinion lands on this issue. Based on a 2019 poll conducted by Quinnipiac University, it was found that there was positive support for "[d]ebt forgiveness…with 57 percent of respondents supporting a debt cancellation plan like the one proposed by Warren…" that year.[83] In addition, another 2019 poll of 900 people conducted by NBC News found similar results in favor of debt cancellation or relief, as shown by Figure 5.[84]

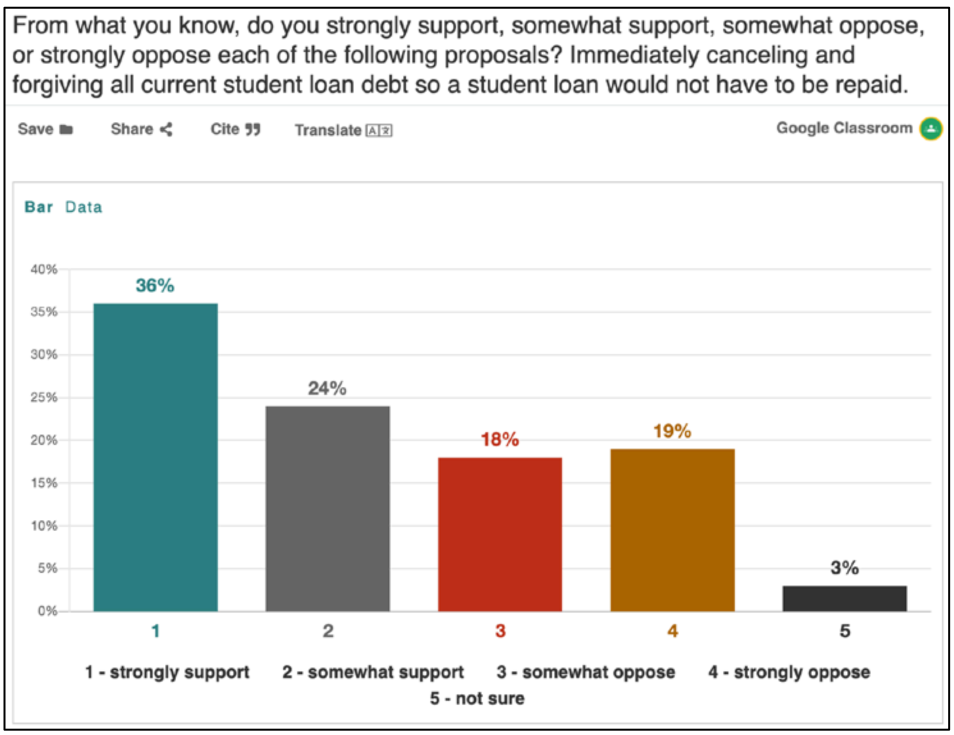

Figure 5. From what you know, do you strongly support, somewhat support, somewhat oppose, or strongly oppose each of the following proposals? Immediately canceling and forgiving all current student loan debt so a student loan would not have to be repaid. (Data from NBC News. "Polling the Nations," Infobase.)[85]

This data shows that of the people polled, public support for student loan debt cancellation is somewhat divided, but the majority is supportive. At the time that

[83] Peters, Cameron. "Plans to Erase Student Debt Gain Steam in Presidential Race." Roll Call, July 24, 2019. https://www.rollcall.com/2019/07/24/plans-to-erase-student-debt-gain-steam-in-presidential-race/.
[84] "From What You Know, Do You Strongly Support, Somewhat Support, Somewhat Oppose, or Strongly Oppose Each of the following Proposals? Immediately Canceling and Forgiving All Current Student Loan Debt so a Student Loan Would Not Have to Be Repaid". NBC News, 2019. https://ptn.infobase.com/articles/UG9sbFF1ZXN0aW9uOjczNjczNQ==?aid=107557.
[85] Ibid.

Congressman Clyburn and Senator Warren presented their legislation, much of the public was supportive of the type of loan discharge that was presented.

While recent polls on the exact legislative policy identified in this proposal are not available, there have been public surveys conducted about student debt. A 2021 survey of 2,200 people from the Bipartisan Policy Center, a think tank, found that "public opinion is split who should qualify—or even if—the federal government should intervene," as displayed in Figure 6.[86]

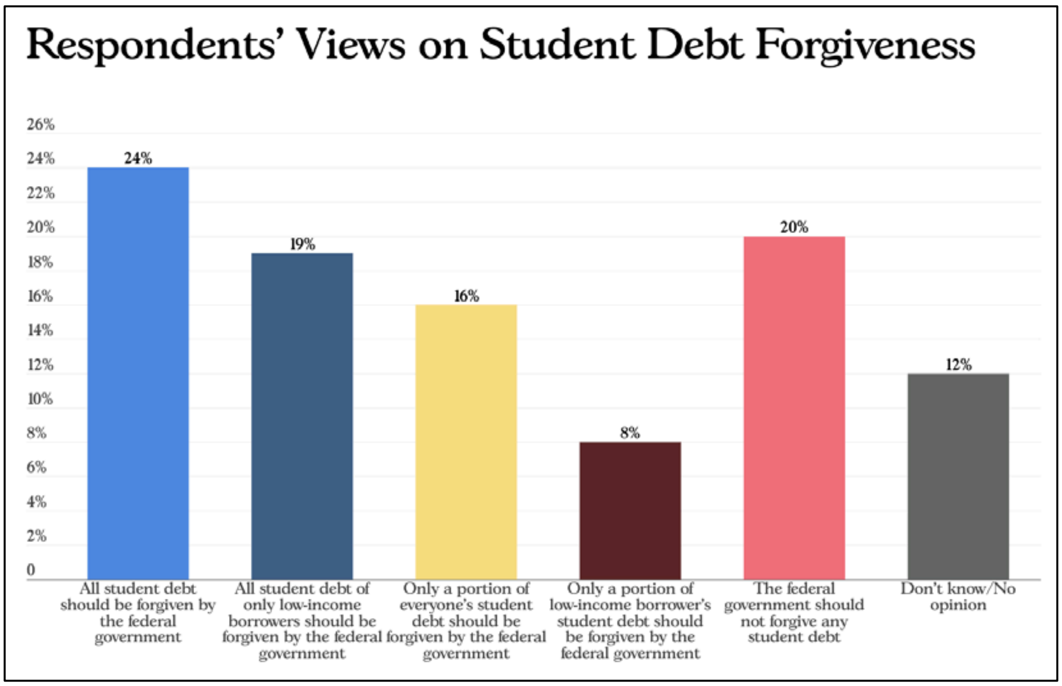

Figure 6. Respondent's Views on Student Debt Forgiveness (Chart by the Mariette Aborn and Sean Ruddy. "Partial Student Debt Cancellation is Poor Economic Stimulus," The Bipartisan Policy Center.)[87]

While most of the respondents, at 67 percent, support some manner of debt alleviation, the opinions on how student loan debt solutions are divided. A lack of a clear majority

[86] Aborn, Mariette, and Sean Ruddy. "New Survey Provides Insight into Public's Concerns About College (Un)Affordability." Bipartisan Policy Center, June 9, 2021. https://bipartisanpolicy.org/blog/insights-college-unaffordability/.

[87] Aborn, Mariette, and Sean Ruddy. "New Survey Provides Insight into Public's Concerns About College (Un)Affordability | Bipartisan Policy Center." June 9, 2021, Chart. Bipartisan Policy Center. https://bipartisanpolicy.org/blog/insights-college-unaffordability/.

due to public indecision may create resistance when pushing for public support. In this instance, public indecision may be an obstacle; however, it is unclear because most support student loan debt relief – it depends on whom and how much. Since this proposal presents a broad approach, the public reception will likely be mixed.

B. Feasibility and Current Options

This proposal aligns with established recommendations for student debt and forgiveness but differs on approach, making it achievable in some ways but difficult in others. On August 6th of 2021, Senator Chuck Schumer (D-NY) as well as the Democratic representative from Massachusetts, Representative Ayanna Pressley, and Senator Warren encouraged President Biden to do more than extend the temporary suspension on student loan payments and interest stating, "[s]tudent debt cancellation is one of the most significant actions that President Biden can take right now to build a more just economy and address racial inequity."[88] This was followed by the call for the Biden-Harris administration to utilize executive action and "cancel up to $50,000 in federal student loan debt for borrowers" through the resolution Senator Schumer introduced on February 8th of 2021, "S.Res.46 - A resolution calling on the President of the United States to take executive action to broadly cancel Federal student loan debt" (S.Res. 46).[89] Representative Pressley introduced the resolution in the house and has the

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[88] "Warren, Schumer, Pressley Statement on Biden Administration Extending Student Loan Payment Pause | U.S. Senator Elizabeth Warren of Massachusetts." Elizabeth Warren, August 6, 2021. https://www.warren.senate.gov/newsroom/press-releases/warren-schumer-pressley-statement-on-biden-administration-extending-student-loan-payment-pause.

[89] Schumer, Charles E. "S.Res.46 - 117th Congress (2021-2022): A Resolution Calling on the President of the United States to Take Executive Action to Broadly Cancel Federal Student Loan Debt." Congress.Gov, 2021. https://www.congress.gov/bill/117th-congress/senate-resolution/46.

backing of over "Over 325 civil rights, climate, health, labor, consumer rights, and student organizations."[90]

The overall resolution is very similar to this proposal; however, the method of authorization and implementation differ. The advantage of the legislation outlined in "The Student Loan Debt Relief Act of 2022" is that it utilizes legislation rather than executive authority. The legal authority of executive action to confer student loan forgiveness has been questioned by the Biden Administration and is still in review. While there is stakeholder support for the use of executive authority, the Executive Office of the United States has pushed back. Jen Psaki, Press Secretary for the White House, said in February 2021 that "Biden planned to hold off on making any decisions on student loan debt executive action until his appointees at the Justice Department have a chance to review the issue."[91] In March 2021, the White House Chief of Staff, Ron Klain, further emphasized the uncertainty regarding presidential authority by revealing that "President Joe Biden has asked Education Secretary Miguel Cardona to prepare a memo about his legal authority to cancel student debt."[92] Even after the release of the memo, it evident that the legal authority for the currently proposed resolution is unknown.[93]

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[90] "Pressley, Warren, Schumer, Colleagues: President Biden Can and Should Cancel $50,000 in Federal Student Loan Debt Immediately." Ayanna Pressley, February 4, 2021. https://pressley.house.gov/media/press-releases/pressley-warren-schumer-colleagues-president-biden-can-and-should-cancel-50000.
[91] "Biden Balks at Taking Executive Action to Cancel Student Loan Debt." POLITICO, February 17, 2021. https://www.politico.com/news/2021/02/17/student-loan-forgiveness-biden-469677.
[92] Egan, Lauren. "Biden to Review Executive Authority to Cancel Student Debt." NBC News, April 1, 2021. https://www.nbcnews.com/politics/white-house/biden-review-executive-authority-cancel-student-debt-n1262791.
[93] Daughtery, Owen. "Highly Redacted Student Loan Forgiveness Memo Becomes Public, Has Existed Since Apri." NAFSAA, November 5, 2021. https://www.nasfaa.org/news-item/26348/Highly_Redacted_Student_Loan_Forgiveness_Memo_Becomes_Public_Has_Existed_Since_April.

While opposed to using executive action, the Biden administration has indicated that student loan forgiveness is not included in "The American Families Plan," but President Biden, would "…be happy to sign a bill into law if they passed that bill, and he'd look forward to having it on his desk."[94] *The Washington Post* quoted Speaker of the House, Nancy Pelosi's remarks from a briefing where she said, "'People think that the president of the United States has the power for debt forgiveness. He does not…That has to be an act of Congress."[95] Pelosi's statement further supports that the method this proposal provides, a legislation one, will be amenable to the White House. Since the issue's legality is unclear and debatable, seeking out alternative solutions or clarity becomes necessary.

The White House seems supportive of providing some student loan debt cancellation. During the presidential campaign, Biden outlined that he would "[f]orgive a minimum of $10,000 per person of federal student loans, as proposed by Senator Warren and colleagues. Young people and other student debt holders bore the brunt of the last crisis."[96] A student relief plan at a rate of $10,000 per borrower is estimated to cost about "$380 billion" just by reducing debt owed – a number much lower than that for $50,000 in student loan forgiveness per borrower.[97] The disagreement regarding how much loan cancellation borrowers should receive overshadows urgency for debt relief. When

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[94] "Press Briefing by Press Secretary Jen Psaki, June 2, 2021." The White House, June 2, 2021. https://www.whitehouse.gov/briefing-room/press-briefings/2021/06/02/press-briefing-by-press-secretary-jen-psaki-june-2-2021/.

[95] Douglas-Gabriel, Danielle. "Pelosi Says Biden Has No Authority to Cancel Student Loans on His Own." Washington Post, July 28, 2021. https://www.washingtonpost.com/education/2021/07/28/pelosi-student-loan-forgiveness/.

[96] "The Biden Emergency Action Plan to Save the Economy." Joe Biden for President: Official Campaign Website. Accessed December 5, 2021. https://joebiden.com/the-biden-emergency-action-plan-to-save-the-economy/.

[97] Lee, Tom. "Assessing the Impact of Blanket Student Loan Forgiveness." AAF, June 30, 2021. https://www.americanactionforum.org/insight/assessing-the-impact-of-blanket-student-loan-forgiveness/.

questioned in February of 2021, "President Biden…balked at forgiving $50,000 in student loan debt, saying he doesn't have the power to do so unilaterally."[98] It is unclear how President Biden would sign, if the proposal's legislation were to pass through Congress for his signature, but student loan debt forgiveness presented as a bill would receive more support than the idea of an executive order. It does not present any questions to authority since the policy is in a bill; nevertheless, the amount of forgiveness per borrower makes the outcome uncertain.

An advantage of this policy is the Democratic support for federal student loan relief. An indicator of this democratic support can be seen by the cosponsors of Senate Resolution 46, "[a] resolution calling on the President of the United States to take executive action to broadly cancel Federal student loan debt" which has 19 cosponsors – 18 Democratic and 1 Independent.[99] Supporters include Senator Elizabeth Warren (D-MA), Senator Bernie Sanders (I-VT) , Senator Tammy Duckworth (D-IL), and Senator Robert Menendez (D-NJ) to name a few of the supporters.[100] There is also another bill, "Student Loan Relief Act," sponsored by Representative Troy Carter's (D-LA) that has similar loan forgiveness measure "which would direct the secretary of education to discharge up to $50,000 of federal student loan debt for each borrower."[101] Yet, it has not made much progress in the House of Representatives.[102]

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[98] Conradis, Brandon. "Biden Balks at $50K Student Loan Forgiveness Plan." The Hill, February 16, 2021. https://thehill.com/homenews/administration/539139-biden-balks-at-50k-student-loan-forgiveness-plan.
[99] Schumer, Charles E. "Cosponsors - S.Res.46 - 117th Congress (2021-2022): A Resolution Calling on the President of the United States to Take Executive Action to Broadly Cancel Federal Student Loan Debt." Congress.Gov, 2021. https://www.congress.gov/bill/117th-congress/senate-resolution/46/cosponsors.
[100] Ibid.
[101] Lake, Sydney. "Where Democratic Leadership in Congress Stands on Student Loan Forgiveness." Fortune, 2021. https://fortune.com/education/business/articles/2021/09/07/where-democratic-leadership-in-congress-stands-on-student-loan-forgiveness/.
[102] Carter, Troy. "Actions - H.R.4797 - 117th Congress (2021-2022): Student Loan Relief Act," 2021. https://www.congress.gov/bill/117th-congress/house-bill/4797/actions.

There is adequate Democratic support for taking action against student debt, but there is a lack of consensus regarding the amount to provide. A *CNBC* email survey from April contacted members of Congress to evaluate positions on student loan forgiveness and found that out of the 66 respondents, "37 Congressional Democrats — in both the House and the Senate — support measures that would forgive up to $50,000 in student loans."[103] The other seven responses from Democrats revealed one who "supports student loan forgiveness, but not a plan tied to an 'arbitrary amount'" and "6 Democrats who responded say they support student loan forgiveness at a lower, $10,000, threshold."[104]

There is strong Republican opposition when considering policies for student loan debt cancellation. The *LA Times* noted that during a "hearing with Biden's nominee for Education secretary, Sen. Richard Burr (R-N.C.) urged the White House to reject calls for mass forgiveness and instead pursue legislation to simplify loan repayment options."[105] Senator Burr, along with Angus King, the Independent Senator from Maine, promote the "Repay Act," which "simplifies and streamlines the current repayment programs by establishing two, easy-to-navigate repayment plans: a fixed, 10-year repayment plan and a single, simplified income-driven repayment option."[106] Republican lawmakers like Senator Burr actively condemn student loan debt cancellation and offer an alternative.

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[103] Leonhardt, Megan. "We Asked More than 500 Congress Members about Student Loan Forgiveness—Here's What We Found." CNBC, April 22, 2021. https://www.cnbc.com/2021/04/22/student-loan-forgiveness-where-members-of-congress-stand.html.
[104] Ibid.
[105] Binkley, Collin. "Biden Officials Considering Action on Student Debt Relief." Los Angeles Times, February 4, 2021. https://www.latimes.com/politics/story/2021-02-04/biden-considering-student-debt-relief.
[106] "King, Burr Renew Bipartisan Effort to Improve Student Loan Repayment Process |." Angus King, March 18, 2021. https://www.king.senate.gov/newsroom/press-releases/king-burr-renew-bipartisan-effort-to-improve-student-loan-repayment-process.

In addition to alternative legislation, there are Republican legislators who are actively opposed to large-scale student loan debt forgiveness and outlined their concerns in a letter to the leadership at the Department of Education this September.[107] This memo clearly stated opposition for debt cancellation by asserting, "'Mass cancellation of student loan debt would not only be a clear violation of the separation of powers but would also be an affront to the millions of borrowers who responsibly repaid their loan balances.'"[108] It can be inferred that Republican lawmakers will be resistant to this broad-approach to alleviate debt; however, given there are 221 Democrats in the House of Representatives this may not pose a problem if consensus can be found.[109] However the difficulty lies with the Senate which is evenly divided making passing in the Senate the greatest trial as Senator Schumer explains, passing legislation, "with the partisanship, filibuster and all that, it's not so easy."[110]

Recommendation

The plight of undergraduate students who do not complete their degrees and are burdened with federal student loan debt is a critical issue to consider especially given COVID-19 relief measures will stop at the end of January of 2022.[111] If left unaddressed, this vulnerable demographic will be susceptible to increased debt and default risks once

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[107] Lane, Sylvan. "GOP Lawmakers Urge Cardona against Executive Student Loan Wipeout." The Hill, September 8, 2021. https://thehill.com/policy/finance/571410-gop-lawmakers-urge-cardona-against-executive-student-loan-wipeout.
[108] Ibid.
[109] "Party Breakdown." House Press Gallery. Accessed December 6, 2021. https://pressgallery.house.gov/member-data/party-breakdown.
[110] Sheffey, Ayelet. "Congress Can't Cancel Student Debt Right Now Because of 'partisanship,' Chuck Schumer Says — but Biden Can." Business Insider, November 8, 2021. https://www.businessinsider.com/student-loan-debt-cancellation-chuck-schumer-congress-partisanship-elizabeth-warren-2021-11.
[111] "Biden Administration Extends".

payments and collections resume. However, while action is necessary to help alleviate the burden of noncompleters with federal student loan debt, I cannot recommend that this proposal presents the solution.

There are more issues with this proposal than arguments in support. For example, the financial costs to execute $50,000 per borrower, even with income limitations and the rest of the provisions in the proposed legislation, could cost at most $1 trillion.[112] That is just too high even though it will provide significant debt relief to federal student loan borrowers who did not complete college, especially since an increase in GDP effects would only be around $91 billion.[113] When comparing this high cost to the economic value that it provides, it is evident that the policy only provides immediate relief rather than a long-term solution to prevent the emergence of more borrowers who meet these criteria or try to alter the elements that create the circumstances. Additionally, while there are stark proponents of similar forms of federal student loan forgiveness measures at a rate of up to $50,000 per borrower, including Senator Warren and Senator Schumer, the political feasibility is low due to resistance from the White House and Republican Party. The likeliness of rejection is high due to opposition and obstacles created by partisanship.[114]

Though I cannot recommend pursuing this proposal, I stand by the fact that federal student loan borrowers who do not complete college at a greater risk for default, two times more the likely than degree holders, and urge you to enact debt relief measures

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[112] "Elizabeth Warren's Higher Education Plan." Committee for a Responsible Federal Budget, September 17, 2019. https://www.crfb.org/blogs/elizabeth-warrens-higher-education-plan.
[113] "Partial Student Debt Cancellation."
[114] Sheffey, "Congress Can't Cancel Student Debt Right Now."

to combat this.[115] An alternative to pursue is the plan outlined by President Joe Biden during his 2020 campaign, providing up to $10,000 in federal student loan relief.[116] This alternative avoids the high financial costs of a $50,000 per borrower proposal with estimated costs ranging from $245 billion to $380 billion.[117] This plan also avoids possible difficulties with administrative and technical execution at the U.S. Department of Education because of it simple definition of blanket loan cancellation at $10,000 per borrower, which would still be an adequate amount to aid of non-degree earning federal student loan borrowers since in 2004-2009 a majority were found to have small balances under $10,000.[118] Federal student loan relief at up to $10,000 per borrower is not an arbitrary number when evaluating the amount of debt and rate of default for non-degree earners, which may help bridge partisan divide to increase support. I urge you to put federal student loan debt in the perspective of borrowers who do not earn degrees and act with imminence. These borrowers are vulnerable and need the support and attention of the Biden Administration to make it over this financial hurdle.

[115] Ahlman, "Casualties of College Debt."
[116] "The Biden Emergency Action."
[117] "Partial Student Debt Cancellation Is Poor Economic Stimulus."
[118] Miller, Campbell, Cohen, and Hancock. "Addressing the $1.5 Trillion."

Curriculum Vitae

Samiksha Shetty was born on February 22, 1994, in New Jersey. She received a B.A. in International Studies with a minor in Political Science from American University in Washington, D.C. Samiksha is pursuing a M.A. in Public Management from Johns Hopkins University. Her previous professional experience includes years working at various nonprofit and mission-driven organizations, including those addressing critical issues in child welfare and higher education.